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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962
No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

Reply Brief for Petitioner in Support of Petition for Writ of Certiorari.

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Reply Brief for Petitioner in Support of Petition for Writ of Certiorari.

Reasons Why Writ Should Be Granted.

Petitioner respectfully submits that **Respondent is in Error** in his contentions in the section entitled "Reasons for Denying the Writ" on page 3 of his Brief, which read as follows:

> "1. The unfair competition claim in this case meets either the liberal test or the narrow test for joinder with the patent infringement claim, under 28 U. S. C. §1338(b). * * * Accordingly, this case does not present the issue to which the Petition is directed.
>
> "2. The constitutional issue presented in question (c) on page 3 of the Petition need not be decided in order to dispose of this case, since the present unfair competition claim meets the narrow test for joinder, as well as the more liberal test, and no challenge to the constitutionality of the narrow test is raised by the Petition."

1. Petitioner respectfully submits that the unfair competition claim in this case does not meet the narrow test of joinder with the patent infringement claim under 28 U. S. C. 1338(b). The patent infringement and unfair competition causes of action are entirely separate and distinct, and clearly do not rest on substantially identical facts. In fact, proof of the claims of patent infringement involved almost nothing that was relevant to any of the claims of unfair competition. This is clearly shown by:

(A) Respondent's "Statement of the Case" on page 2 of his Brief, which statement reads as follows:

> "The 'Statement of the Case' set forth in the Petition, pages 4, 5, omits important facts bearing on the unfair competition claim. Respondent Harry A. Pursche is a farmer and raised truck garden crops on a large-scale basis in Southern California (R. 69). He personally constructed five two-way plows of different sizes and used them himself (R. 70, 71) in his farming operations (R. 70-72). He made all five plows available to petitioner for measurement and study; prior to that time Petitioner had never built a two-way plow, nor any kind of plow (R. 74). Petitioner then began to build two-way plows under license (R. 74) using confidential information acquired from Respondent (Pet. p. 35). Later Petitioner cancelled the license and continued to manufacture and sell the same devices without payment of royalties (R. 75). Respondent then sued for patent infringement and unfair competition (R. 29-32)."

This "Statement of the Case" states that the Petition "* * * omits important facts bearing on the unfair competition claim. * * *" It makes no mention whatever of the infringement claim. This "Statement of the Case" plainly shows that the facts relating to the unfair competition claim are entirely separate from those relating to the patent infringement claims.

The only portion of the respondent's additional facts which are included in this "Statement of the Case" that have any bearing on the question of patent infringement are those which are included in the last four lines of the "Statement of the Case" and relate to the continued manufacture and sale of the same devices after the cancellation of the license.

There is no basis whatever for the sentence in the "Statement of the Case" reading as follows:

> "* * * Petitioner then began to build two-way plows under license (R. 74) using confidential information acquired from Respondent (Pet. p. 35). * * *"

The reference "Pet. p. 35" is to the Appellate Court's decision. The statement by the Appellate Court is unsupported by any Finding of Fact. See *infra* under Section numbered 5.

(B) The Appellate Court's statement that "* * * the gravamen of Pursche's dependent claim is not Atlas' breach of contract, but rather the activity that followed the breach, more specifically, the utilization and sale of devices which Atlas was able to manufacture because of the knowledge it had received from Pursche's confidential disclosures and from the improvements to

which Pursche was allegedly entitled under the licensing agreement." (Op. p. 483, Pet. pp. 35-36).

The Appellate Court's statement at page 484 (Pet. p. 38):

> "* * * The essence of the claim of unfair competition is Atlas' wrongful concealment of information concerning improvements made to the Pursche plows by its employee, Roy L. Chandler. * * *"

It is clear from the above statements of the Appellate Court that the unfair competition issue is based on facts which have nothing whatsoever to do with the infringement issues.

(C) The Findings of Fact and Conclusions of Law which are decisive with respect to this point are those which are included in the Findings of Fact and Conclusions of Law, of which there are two separate and distinct groups. Findings of Fact Nos. 57 to 84, inclusive, and Conclusions of Law Nos. XXIX to XLIII, inclusive, relate to the claim of unfair competition. These Findings of Fact [R. 87-90] and Conclusions of Law [R. 95-99] relate to:

(1) the execution and terms of the Pursche-Atlas license agreement;

(2) Roy L. Chandler's employment by Atlas;

(3) the character of the engineering work performed by Chandler while in the employ of Atlas;

(4) the inventions, improvements, modifications and betterments developed by Chandler;

(5) the failure of Atlas to assign to Pursche "inventions, improvements, modifications and bet-

terments" as required by the Pursche-Atlas license agreement;

(6) concealing and failing to disclose to Pursche development activities as required;

(7) concealing from Pursche the filing of patent applications in the name of its employee, Roy L. Chandler;

(8) continued use by the party Atlas of developments of Roy L. Chandler so withheld;

(9) the acts of the party Atlas in filing patent applications in the name of Roy L. Chandler, and Roy L. Chandler and another, on inventions, improvements, modifications or betterments belonging to the party Harry A. Pursche * * * all at the sole cost and expense of Atlas * * * and prepared and filed by attorneys for Atlas;

(10) prosecution by Atlas of an interference proceeding in the United States Patent Office against Pursche, which interference proceeding was decided in favor of Chandler; and

(11) that Atlas "held out to the trade and to the purchasing public that the rollover plows which were offered for sale under the agreement, Exhibit 7 (B-19) were the development and invention of Harry A. Pursche".

The other Findings of Fact, Nos. 4 to 56, inclusive, and Conclusions of Law Nos. I to XXVII, inclusive, relate to the patent infringement claims.

An examination of those Findings of Fact and Conclusions of Law clearly shows that none of the Findings of Fact or Conclusions of Law relating to the patent in-

fringement claims relates to the unfair competition claim, and also that none of the Findings of Fact or the Conclusions of Law on the unfair competition claim relates to the patent infringement claims.

(D) The proof with respect to the infringement of respondent's patents is set forth on page 13 of the Petition. The operative facts consisted of:

(1) the patents;

(2) the prior art;

(3) the scope of the claims of the patents;

(4) the complete plow structures manufactured and sold by petitioner; and

(5) determinations of whether or not these structures come within the claims of the patents.

These determinations included expert testimony as to the patents, the prior art, petitioner's plows and various questions of interpretation of the patents in suit.

Proof of infringement of the patents would require no evidence whatever of items (1), (2), (3), (4), (5), (6), (7), (9), (10) and (11) on page 4, *supra*, or the details of construction of item (8) on page 5, *supra*.

Proof of all of the items (1) to (11) *supra* would not establish infringement of any of the patents in suit.

The entire infringement case could have been proved without including any of the facts contained in Findings of Fact Nos. 57 to 84, inclusive, and an action for unfair competition could have been proved without including any of the facts contained in the Findings of Fact

relating to the patents and the infringement or non infringement thereof.

Obviously, therefore, the patent infringement and the unfair competition causes of action in this case are entirely separate and distinct. Clearly, the unfair competition claim does not meet the narrow test of joinder with the patent infringement claim under Section 1338(b), and it is at least doubtful if it meets the liberal test of joinder, with the possible exception of the application of that rule in the Second Circuit.

2. Since the unfair competition claim in this case does not meet the test of joinder specified in *Hurn v. Oursler*, 289 U. S. 238, the constitutional issue presented in question (c) on page 3 of the Petition, namely:

> "Is 28 U.S.C §1338(b) unconstitutional if the term 'related claim' is interpreted to merely require that there exists a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?"

should be decided by this Court.

Respondent does not contend that this Court need not decide this constitutional issue if the narrow test for joinder under Section 1338(b) has not been met. We respectfully submit that the facts in this case clearly demonstrate that the narrow test of joinder has not been met.

The Appellate Court concluded that it had jurisdiction because the patent infringement claims and the unfair competition claim have a "common background with much of the evidence being pertinent to both" (Op. 484, Pet. pp. 37-38).

We respectfully submit that the more liberal construction of Section 1338(b), as applied by the Appellate Court, is unconstitutional because it enlarges the jurisdiction of the Federal Courts beyond that prescribed by Section 2 of Article III of the Constitution of the United States. This Section is set forth on page 15 of the Petition. See *Hurn v. Oursler*, 289 U. S. 238, at pages 245 and 246.

A statute regulating the jurisdiction of the Supreme Court, as of any federal constitutional court, must of course, delimit jurisdiction within the grant of the judicial power in Article III. "Turn to the article of the constitution of the United States, for the statute cannot extend the jurisdiction beyond the limits of the constitution." Mr. Chief Justice Marshall, in *Hodgson v. Bowerbank*, 5 Cranch 303, 304, 3 L. Ed. 108.

It is well established that federal jurisdiction is not to be extended beyond the scope permitted by a strict construction of the statute upon which it rests.

Indianapolis v. Chase National Bank, 314 U. S. 63, 62 S. Ct. 15, 86 L. Ed. 47;

Thomson v. Gaskill, 315 U. S. 442, 62 S. Ct. 673, 86 L. Ed. 951;

Healy v. Ratta, 292 U. S. 263, 270, 54 S. Ct. 700, 703, 78 L. Ed. 1248.

1. **Reply to Respondent's Section Entitled: "1. Decisions Prior to the Enactment of 28 U. S. C. §1338(b)."**

The cases in this portion of Respondent's Brief, namely, *Hurn v. Oursler* (1933), 289 U. S. 238, 53 S. Ct. 386, 77 L. Ed. 1148, and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938), 305 U. S. 315, 59 S. Ct. 191, 83 L. Ed. 195, do not support the respondent's contentions.

Both of these cases clearly define the "substantially identical facts" rule, namely, that if the nonfederal cause of action is based upon facts not substantially identical with the facts upon which the federal cause of action is based, the Federal Court has no jurisdiction over the nonfederal cause of action.

In *Hurn v. Oursler*, the complaint stated a claim of copyright infringement and also sought relief upon the ground that the very same acts constituting the alleged copyright infringement constituted unfair competition under the state law. At pages 246 and 247, the Court held:

> "* * * The primary relief sought is an injunction to put an end to an essentially single wrong, however differently characterized, not to enjoin distinct wrongs constituting the basis for independent causes of action. The applicable rule is stated, and authorities cited, in *Baltimore S. S. Co. v. Phillips*, 274 U. S. 316. 'A cause of action does not consist of facts,' this court there said (p. 321), 'but of the unlawful violation of a right which the facts show. The number and variety of the facts alleged do not establish more than one cause of

action so long as their result, whether they be considered severally or in combination, is the violation of but one right by a single legal wrong. . . . 'The facts are merely the means, and not the end. They do not constitute the cause of action, but they show its existence by making the wrong appear.'"

"Thus tested, the claims of infringement and of unfair competition averred in the present bill of complaint are not separate causes of action, but different grounds asserted in support of the same cause of action."

The complaint in *Hurn v. Oursler* also contained a claim of unfair competition based on an uncopyrighted revision of the copyrighted play. In holding that the uncopyrighted revision was entirely outside the federal jurisdiction, the Court held at page 248:

"* * * The bill as amended, although badly drawn, sets forth facts alleged to be in violation of two distinct rights, namely, the right to the protection of the copyrighted play, and the right to the protection of the uncopyrighted play. From these averments two separate and distinct causes of action resulted, one arising under a law of the United States, and the other arising under general law. * * *"

Obviously, in *Hurn v. Oursler* (1933), 289 U. S. 238, 77 L. Ed. 1148, there existed a considerable overlap in the factual basis of the federal (the copyrighted play) and nonfederal (the uncopyrighted revision of the copyrighted play) causes and a substantial amount of the evidence of the copyrighted play was relevant to the uncopyrighted revision, but the Supreme Court de-

cided that this overlap in the factual basis and substantial amount of evidence relevant to both claims were not sufficient to give the Federal Court jurisdiction over this nonfederal cause of action.

According to *Hurn v. Oursler, supra* and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp., supra*, it is not sufficient that both claims require identical proof of certain facts; federal jurisdiction of the nonfederal claim fails if, in addition to the facts supporting the federal claim, plaintiff, to sustain the nonfederal claim, must rely on substantial supplemental proof not relevant to the federal claim.

2. Reply to Respondent's Section Entitled: "2. The Enactment of 28 U.S.C. §1338(b)."

The Reviser's Notes to Section 1338 make it plain that the existing law was codified by Section 1338(b). That law was best expressed in the leading cases of *Hurn v. Oursler, supra*, and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp., supra*. Please note the Report from the Committee on the Judiciary House of Representatives to accompany H. R. 3214, Report No. 308, 80th Congress 1st Session, pages A6 and A119 (1947). The Reviser's Notes in Section 1338 read, in part, as follows:

> "Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court. While this is the rule under Federal decisions, this section would enact it as statutory authority. The problem is discussed at length in *Hurn v. Oursler* (1933, 53

S. Ct. 586, 289 U. S. 238, 77 L. Ed. 1148) and in *Musher Foundation v. Alba Trading Co.* (C.C.A. 1942, 127 F. 2d 9) (majority and dissenting opinions)."

In other words, according to the intention of the Revisers, Section 1338(b) codified the decision of This Court in *Hurn v. Oursler*.

The words "related claim" in the Statute undoubtedly came from the use of those words in a footnote of the *Hurn v. Oursler* opinion, 289 U. S. 238 at page 241.

Mr. William W. Barron, the Chief Reviser of the Code, in his article entitled "The Judicial Code 1948 Revision", 8 F. R. D. 439, with respect to Section 1338(b) stated:

"UNFAIR COMPETITION

Subsection (b) of section 1338 is new. It is added to give to district courts original jurisdiction of any civil action asserting a claim for unfair competition when joined with a substantial and related claim under the patent, copyright or trademark laws. *The Supreme Court in Hurn v. Oursler*[20] *held that such a claim for unfair competition of which a federal court has no original jurisdiction is nevertheless within its ancillary jurisdiction when it arises from the same acts which give rise to the claim of copyright infringement.*

The statutory confirmation of the jurisdiction of federal courts in cases like these should not be regarded either as an extension or limitation of ancillary jurisdiction in other cases or under other circumstances.[21]" (at p. 442; emphasis added).

At pages 445-446 of said Article, Mr. Barron stated:

> "* * * no changes of law or policy will be presumed from changes of language in revision unless an intent to make such changes is clearly expressed. Mere changes of phraseology indicate no intent to work a change of meaning, but merely an effort to state in clear and simpler terms the original meaning of the statute revised."

Judge Albert B. Maris of the Third Circuit, a member of a committee of the Judicial Conference of the United States to collaborate with the congressional committees in carrying forward the work of this revision, stated that: "Care has been taken to make no changes in the existing laws which would not meet with substantially unanimous approval." (Hearings before Subcommittee No. 1 of the House Judiciary Committee on H. R. 1600 and H. R. 2055, 80th Cong., 2d Sess., p. 1959).

This Court's decision in *Fourco Glass Co. v. Transmirra*, 353 U. S. 222, 1 L. Ed. 2d 786, is directly in point with respect to whether or not Section 1338(b) changed the rule of *Hurn v. Oursler*, *supra*, and demonstrates the importance of the Revisers' Notes and of statements of individuals having importantly to do with the revision to the effect that no change in the law is to be presumed unless clearly expressed.

The *Fourco Glass Co.* case dealt with the interpretation of 28 U. S. C. 1400(b). The *following excerpts* from the opinion of that case *apply with equal force in the interpretation of 28 U. S. C. 1338(b)*:

> "The question here, then, is simply whether there has been a substantive change in that statute since

the Stonite case (Stonite Co. v. Melvin Lloyd Co., 315 U. S. 561). If there has been such change, it occurred in the 1948 revision and recodification of the Judicial Code.[5] * * * (p. 225).

"The reports of the Committee on the Judiciary of the Senate,[6] and of the House,[7] respecting the 1948 revision and recodification of the Judicial Code, make plain that every change made in the text is explained in detail in the Revisers' Notes. * * * (p. 226).

"Statements made by several of the persons having importantly to do with the 1948 revision are uniformly clear that no changes of law or policy are to be presumed from changes of language in the revision unless an intent to make such changes is clearly expressed.[8] (p. 227).

* * *

"In the light of the fact that the Revisers' Notes do not express any substantive change, and of the fact that several of those having importantly to do with the revision say no change is to be presumed

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[5]62 Stat. 869.

[6]S. Rep. No. 1559, 80th Cong., 2d Sess., p. 2, which contains the statement "Appended to the report are the revisers' notes to each section, together with accompanying tables. These explain in great detail the source of the law and the changes made in the course of the codification and revision."

[7]H. R. Rep. No. 308, 80th Cong., 1st Sess., p. 7, which contains the statement "The reviser's notes are keyed to sections of the revision and explain in detail every change made in text."

[8]This note included the excerpt from Mr. Barron's Article on pp. 445-446 of 8 F.R.D. and the statement of Judge Maris, supra.

unless clearly expressed, and no substantive change being otherwise apparent, we hold that 28 U. S. C. §1400(b) made no substantive change from 28 U. S. C. (1940 ed.) §109 as it stood and was dealt with in the Stonite case." (p. 227).

3. Reply to Section 3 of Respondent's Brief.

"3. Decisions Following Enactment of 28 U.S.C. §1338(b)."

In this section the respondent sets forth a biased presentation of decisions following the enactment of 28 U. S. C. A. Section 1338(b).

However, even that presentation clearly shows the conflict that exists among the circuits over the construction of the phrase "related claim" appearing in this statute.

It also clearly demonstrates that (using the language of this Court in *Hurn v. Oursler*) "the lower federal courts have reached different conclusions" and that "the opinions present a great variety of views and of differences".

We disagree with the statement on page 19 of the Respondent's Brief, which reads as follows:

> "It appears from the foregoing that the First, Second, Third, Fourth, Fifth, Sixth, and Ninth—and possibly the Eighth—Circuits tend to follow a rule of liberal construction of the word 'related' appearing in §1338-(b) and interpret it to require only considerable overlap in the factual basis of the Federal claim and the unfair-competition claim."

The cases referred to by the respondent clearly do not support his contention with respect to the First, Fifth or Sixth Circuits.

Second Circuit.

In the Petition, petitioner has shown that while the Second Circuit has changed its position with respect to the construction of Section 1338(b), that change was effected by different Judges (Pet. p. 12).

How far the Second Circuit has gone to disregard the decisions of this Court, and how very liberal the Second Circuit view is with regard to joinder of non-federal causes of action, is clearly shown in *Bullock v. Sears Roebuck* (1956), 239 F. 2d 170.

The opinion of the Trial Court (Chief Judge Brennan, D. C. N. D. N. Y.) is reported in 142 Fed. Supp. 646, and reads in part as follows (at pp. 649 and 650).

> "[5] This appears to be a simple case based upon a claim of infringement of mechanical patents. The unfair competition cause of action depends upon a similarity in the appearance and markings of the two sprayers, the existence of a secondary meaning in plaintiffs' product and the lack of the name of the manufacturer upon the defendant's sprayer.

The opinion of the Second Circuit, reversing the Trial Court, is reported at 239 F. 2d 170 and reads as follows:

> "This is a suit which joined with a claim of patent infringement a claim of unfair competition. * * * *The complaint alleges sufficient interrelation between the two claims to establish federal jurisdiction under 28 U.S.C.A. §1338(b),* as interpreted

in Maternally Yours, Inc. v. Your Maternity Shop, Inc. 2 Cir., 234 F. 2d 538, 544, which was decided subsequently to the judgment on appeal." (Emphasis added).

Sixth Circuit.

That the Sixth Circuit does not follow the liberal view, and has consistently required that "both the federal and nonfederal causes rest on substanitally identical facts" is apparent from the cases referred to on pages 6 and 7 of Petitioner's Petition, together with the following cases:

(1) *French Renovating Co. v. Ray Renovating Co.*, 170 F. 2d 945, 947; and

(2) *General Motors Corp. v. Rubsam Corp.*, 65 F. 2d 217, 218.

In *Lyon v. Quality Courts United, Inc.*, 249 F. 2d 790 (the case cited by the Ninth Circuit in its opinion at page 483 of 300 F. 2d 467, and Pet. p. 37), the Sixth Circuit decision at page 795, expressly states that the claim of unfair competition was closely related to the trade-mark claim.

That the *Lyon* case (which was decided in 1957) did not change the Sixth Circuit rule is clearly evidenced by the following cases:

(1) *Dann v. Studebaker-Packard Corporation*, 288 F. 2d 201 (1961);

(2) *Preformed Line Products Co. v. Fanner Mfg. Co.* (D.C. Ohio, decided Jan. 6, 1960), 120 U. S. P. Q. 288, 309.

4. Reply to Section 4 of Respondent's Brief.

"4. The Decision of the Appellate Court Below."

The decision of the Appellate Court at page 483 (Pet. p. 37) correctly states that "There is some conflict among the circuits over the construction of the phrase 'related claim' appearing in this statute; some require that 'both the federal and nonfederal causes rest on substantially identical facts', * * * while others are satisfied if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other. * * *"

In support of the last-mentioned part of said statement, the Court cited *Maternally Yours v. Your Maternity Shop*, 234 F. 2d 538 at 543 (C. A. 2, 1956), and *Lyon v. Quality Courts Limited*, 249 F. 2d 790 at 795 (C. A. 6, 1957), and quoted a portion of the Reviser's Note to Section 1338.

With respect to the above cases and Note, we respectfully submit:

(a) That the liberal view of the Second Circuit is clearly in conflict with the decisions of this Court.

(b) That the Sixth Circuit requires that "both the federal and nonfederal causes rest on substantially identical facts."

(c) That the Appellate Court significantly omitted the last portion of the Reviser's Note to Section 1338.

5. Reply to Section 5 of Respondent's Brief.

"5. The Unfair Competition Count in the Present Case."

The Appellate Court based its decision with respect to unfair competition primarily on (1) the utilization and sale of devices which petitioner was able to manufacture because of the knowledge it had received from respondent's confidential disclosures, and (2) the utilization of devices which included improvements to which respondent was allegedly entitled under the licensing agreement.

There was no confidential disclosure. There is no Finding of Fact of any confidential disclosure by respondent to petitioner, or of any use by petitioner of confidential information. Finding 19 [R. 74] merely states that the plows constructed by Pursche and as shown substantially in the drawings of the patents in suit were made available to Atlas for measurement and study.

Some of the respondent's plows were publicly shown in Hemet, California at a fair in the Fall of 1947 [R. 71].

The Pursche-Atlas Agreement was entered into April 3, 1948 [Find. of Fact 18, R. 74]. Therefore, there had been public disclosures of the plows and the information Atlas got from examining the plows was of a public nature. Furthermore, after the issuance of the patents which occurred in 1953 [R. 90, 91] there could no longer be any confidential information.

Schreyer v. Casco Products Co., 190 F. 2d 921 (C. A. 2, 1951) does not support the Court's contention (Op. p. 483, Pet. p. 36), which reads:

> "Atlas' right to manufacture and sell plows embodying Pursche's inventions and improvements

ceased upon the termination of the licensing agreement. If Atlas thereafter continued to make use of Pursche's property in its business, this constituted unfair competition within the meaning of section 1338(b)."

for the reasons enumerated above.

6. **Reply to Respondent's Section Entitled:**

"6. The Unfair Competition Count in the Present Case Meets Both the Broad and the Narrow Test for Joinder With the Patent Infringement Count Under 28 U.S.C. §1338(b)."

This section has been answered on pages 1 to 7, *supra*.

Conclusion.

The Constitution specifies the division of jurisdiction between the Federal and State Courts — which division should be clearly enunciated by this Court and uniformly administered in all of the United States Federal Courts.

Petitioner respectfully submits there is a great need for an authoritative ruling on the questions of pendent jurisdiction presented by the Petition.

Such a ruling will not only be of great benefit to the Lower Courts and to litigants and lawyers interested in patent, trade-mark and copyright matters, but to all faced with pendent jurisdictional problems.

For the foregoing reasons, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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